

# SENATE BILL REPORT

## SB 5468

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As of February 9, 2009

**Title:** An act relating to permitting an exemption for nonprofit housing organizations from the consumer loan act.

**Brief Description:** Permitting an exemption for nonprofit housing organizations from the consumer loan act.

**Sponsors:** Senators Honeyford, McCaslin, Kilmer, King, Delvin, Jacobsen, Berkey and Shin.

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Insurance: 2/04/09.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

**Staff:** Philip Brady (786-7460)

**Background:** The Consumer Lending Act (CLA) was first passed in 1991 in order to protect Washington consumers from high-interest lenders. It was a combination of the Consumer Finance Act and the Industrial Loan Act, and has been amended several times. Under the CLA, a person or business is not permitted to engage in the business of making secured or unsecured loans without a license from the Department of Financial Institutions (DFI). This does not apply if the person is a bank, savings bank, trust company, savings and loan, credit union, or credit card company, or making a loan under the chapter dealing with retail installment sales of goods and services.

Persons licensed by DFI to make loans are subject to a number of restrictions on predatory or fraudulent behavior, must possess a surety bond, must provide DFI with particular information, and are subject to monitoring and regulation by DFI.

**Summary of Bill:** Nonprofit housing organizations or persons making loans under state or federal housing programs are exempted from the CLA. Lenders and loans are only exempt if the primary purpose of the lending program is to assist low-income borrowers purchasing or repairing a home, or for development of low-income housing.

**Appropriation:** None.

**Fiscal Note:** Available.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: The CLA used to apply to loans at interest rates above 12 percent. When the cap was removed, nonprofits that charge little or no interest fell under the CLA, which hurt their ability to function. Habitat for Humanity might still be subject to the CLA since they don't use federal or state funds, so that ought to be addressed. Fourteen or 15 entities would be helped by the bill.

**Persons Testifying:** PRO: Kim Herman, Housing Finance Commission; Deb Bortner, DFI; Alan Trunnell, Community Frameworks.